

**MINERSVILLE TOWN, UTAH**  
**FINANCIAL STATEMENTS**  
**and**  
**SUPPLEMENTARY INFORMATION**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED JUNE 30, 2006**

# MINERSVILLE TOWN, UTAH

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## FINANCIAL SECTION

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Honorable Town Council  
Minersville Town  
Minersville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Minersville Town, Utah as of and for the year ended June 30, 2006 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Minersville Town, Utah as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006, on our consideration of Minersville Town, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minersville Town, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Minersville Town, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
WILSON & COMPANY  
Certified Public Accountants

October 30, 2006  
Cedar City, Utah

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Minersville Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

### Financial Highlights

The assets of Minersville Town exceeded its liabilities as of the close of the most recent year by \$3,257,918 (*net assets*). Of this amount, \$746,565 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$452,840 (this includes an increase of \$367,409 in a prior period adjustment as a result of an inventory of fixed assets). The expenditures exceeded revenues and the adopted budgeted amounts for expenditures exceeded the actual expenditure amounts.

At the close of the current year, Minersville Town's government funds reported combined ending fund balances of \$166,158, an increase of \$5,576 in comparison with the prior year. Of this total amount, \$160,582 is available for spending at the government's discretion ( *unreserved fund balance*).

Minersville Town's total debt decreased by \$40,000 during the current year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Minersville Town's basic financial statements. Minersville Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Minersville Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Minersville Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Minersville Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Minersville Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Minersville Town include general government, public safety, highways & streets, sanitation, senior center and culture and recreation. The business-type activities of Minersville Town's are water and sewer services.

### **Fund financial statements**

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Minersville Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Minersville Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.



Minersville Town maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Minersville Town adopts an annual appropriated budget for its governmental fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary funds**

Minersville Town maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Minersville Town uses an enterprise fund to account for its water and sewer service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer services which are considered a major funds of the Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Minersville Town.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Minersville Town, assets exceeded liabilities by \$3,257,918 at the close of the most recent fiscal year.

By far the largest portion of Minersville Town's net assets (73 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Minersville Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Minersville Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the year, Minersville Town is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Minersville Town's Net Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current & other assets	241,962	231,772	716,687	606,552
Capital assets	745,820	414,510	2,454,434	2,488,446
Total assets	987,782	646,282	3,171,121	3,094,998
Long-term Liabilities outstanding	-	-	821,473	40,300
Other liabilities	79,212	74,428	300	821,473
Total liabilities	79,212	74,428	821,773	861,773
Net assets:				
Invested in cap. assets, net of debt	745,820	414,510	1,632,961	1,626,973
Restricted	5,208	2,670	127,364	82,837
Unrestricted	157,542	154,674	589,023	523,415
Total net assets	908,570	571,854	2,349,348	2,233,225

### Changes in Minersville Town's Net Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues				
Charges for services	57,548	58,751	262,690	256,654
Operating grants and contributions	80,268	78,459	-	-
General revenues				
Property taxes	36,087	33,967		
General sales and use taxes	73,850	66,564		
Franchise taxes	43,044	36,150		
Earnings on investments	24,006	13,235	4,662	2,141
Impact fees	2,422	1,042	10,503	5,037
Miscellaneous	152	1,325		
Total revenues	317,377	289,493	277,855	263,832
Expenses:				
General government	96,380	100,846		
Public Safety	37,645	38,290		
Highways & streets	39,044	33,505		
Sanitation	31,802	29,738		
Senior center	9,017	12,913		
Culture & recreation	92,583	76,697		
Water fund			146,806	143,882
Sewer fund			56,524	67,175
Total expenses	306,471	291,989	203,330	211,057
Increase in net assets	10,906	(2,496)	74,525	52,775

### Financial Analysis of the Government's Funds

As noted earlier, Minersville Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

#### Governmental funds

The focus of Minersville Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Minersville Town's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Minersville Town. At the end of the current year, unreserved fund balance of the general fund was \$128,304. As a measure of

the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

### **Proprietary funds**

Minersville Town's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water service fund at the end of the year amounted to \$403,114 and for the sewer fund was \$185,909.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of \$2,265 can be briefly summarized as follows:

- \$3,500 increase in general government
- \$10,000 increase in public safety
- \$4,000 decrease in highways and streets
- \$3,000 increase in sanitation
- \$2,500 decrease in senior center
- \$300 increase in culture & recreation
- \$8,035 decrease in operating transfers out

Of this increase, the \$2,265 was funded out of current year revenues. During the year actual revenues were less than budgeted revenues by \$37,509, and actual expenditures were less than budgeted expenditures by \$63,615.

### **Capital Asset and Debt Administration**

#### **Capital assets**

Minersville Town's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$745,820 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Additional information on Minersville Town's capital assets can be found in the notes to the financial statements.

### **Long-term debt**

At the end of the current year, Minersville Town's had total debt outstanding of \$821,473. The debt represents bonds issued to finance water and sewer projects in prior years.

Additional information on Minersville Town's long-term debt can be found in the notes of the financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of Minersville Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Minersville Town, P. O. Box 159, Minersville, Utah, 84752.

## **BASIC FINANCIAL STATEMENTS**

**MINERSVILLE TOWN, UTAH****Statement of Net Assets**

June 30, 2006

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash & cash equivalents	\$ 214,309	\$ 686,533	\$ 900,842
Accounts receivable	3,679	30,154	33,833
Property tax receivable	23,974		23,974
Capital assets, net of accumulated depreciation	745,820	2,454,434	3,200,254
<b>Total assets</b>	<b>987,782</b>	<b>3,171,121</b>	<b>4,158,903</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Accounts payable	37,964	300	38,264
Payroll taxes payable	2,726		2,726
Wages payable	11,140		11,140
Compensated absences payable	3,408		3,408
Deferred revenue property tax receivable	23,974		23,974
Bonds payable			-
Portion due within one year		41,000	41,000
Portion due after one year		780,473	780,473
<b>Total liabilities</b>	<b>79,212</b>	<b>821,773</b>	<b>900,985</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	745,820	1,632,961	2,378,781
<b>Restricted for:</b>			
Debt service		113,908	113,908
Community development	5,208		5,208
Other purposes		13,456	13,456
Unrestricted	157,542	589,023	746,565
<b>Total net assets</b>	<b>\$ 908,570</b>	<b>\$ 2,349,348</b>	<b>\$ 3,257,918</b>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 96,380	\$ 3,325	\$ -	\$ -	\$ (93,055)
Public Safety	37,645	7,885	1,271		(28,489)
Highways & streets	39,044		39,487		443
Sanitation	31,802	33,190			1,388
Senior center	9,017	360			(8,657)
Culture & recreation	92,583	12,788	39,510		(40,285)
Total governmental activities	306,470	57,548	80,268	-	(168,654)
Business-type activities:					
Water Fund	146,806	166,871			20,065
Sewer Fund	56,524	95,819			39,295
Total business-type activities	203,330	262,690	-	-	59,360
Total government	\$ 509,800	\$ 320,238	\$ 80,268	\$ -	\$ (109,294)

(Continued on page 12)



# MINERSVILLE TOWN, UTAH

## Statement of Activities

Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue from previous page	\$ (168,654)	\$ 59,360	\$ (109,294)
General revenues:			
Taxes:			
Property taxes	36,087		36,087
General sales and use taxes	73,850		73,850
Franchise taxes	43,044		43,044
Earnings on investments	24,006	4,662	28,668
Impact fees	2,422	10,503	12,925
Miscellaneous	151		151
Total general revenues and transfers	179,560	15,165	194,725
Increase in net assets	10,906	74,525	85,431
Net assets - beginning	571,854	2,233,224	2,805,078
Prior period adjustment	325,810	41,599	367,409
Net assets - ending	\$ 908,570	\$ 2,349,348	\$ 3,257,918

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**MINERSVILLE TOWN, UTAH****Balance Sheet****Governmental Funds**

June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash & cash equivalents	\$ 181,663	\$ 32,646	\$ 214,309
Accounts receivables	3,679		3,679
Total assets	<u>\$ 185,342</u>	<u>\$ 32,646</u>	<u>\$ 217,988</u>
<b>Liabilities:</b>			
Accounts payable	\$ 37,964	\$ -	\$ 37,964
Payroll taxes payable	2,726		2,726
Wages payable	11,140		11,140
Total liabilities	<u>51,830</u>	<u>-</u>	<u>51,830</u>
<b>Fund balances:</b>			
Reserved	5,208		5,208
Unreserved, undesignated	128,304	32,646	160,950
Total fund balances	<u>133,512</u>	<u>32,646</u>	<u>166,158</u>
Total liabilities and fund balances	<u>\$ 185,342</u>	<u>\$ 32,646</u>	<u>\$ 217,988</u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**

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Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	\$ 166,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,008,868 and the accumulated depreciation is \$263,048	745,820
Compensated absences payable	(3,408)
<b>Total net assets - governmental activities</b>	<u><u>\$ 908,570</u></u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 36,087	\$ -	\$ 36,087
Sales and use taxes	73,850		73,850
Franchise taxes	43,044		43,044
Licenses and permits	685		685
Intergovernmental revenues	72,508		72,508
Charges for services	41,074	500	41,574
Interest earnings	21,147	2,859	24,006
Miscellaneous revenues	25,602	20	25,622
Total revenues	<u>313,997</u>	<u>3,379</u>	<u>317,376</u>
<b>EXPENDITURES:</b>			
General government	87,717	-	87,717
Public Safety	45,803	-	45,803
Highways & streets	33,286	-	33,286
Sanitation	31,802	-	31,802
Senior Center	3,549		3,549
Culture & recreation	74,331		74,331
Capital expenditures		35,312	35,312
Total expenditures	<u>276,488</u>	<u>35,312</u>	<u>311,800</u>
Excess of revenues over (under) expenditures	<u>37,509</u>	<u>(31,933)</u>	<u>5,576</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in		-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	37,509	(31,933)	5,576
FUND BALANCES JULY 1	96,003	64,579	160,582
FUND BALANCES JUNE 30	<u>\$ 133,512</u>	<u>\$ 32,646</u>	<u>\$ 166,158</u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 5,576
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlays	45,312
Depreciation expense	<u>(39,812)</u>
	5,500
Increase in compensated absences	(170)
Change in net assets of governmental activities	<u>\$ 10,906</u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Statement of Net Assets**  
**Major Proprietary Funds**  
**June 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash & cash equivalents	\$ 437,693	\$ 248,840	\$ 686,533
Accounts receivable (net of allowance)	20,681	9,473	30,154
Total current assets	<u>458,374</u>	<u>258,313</u>	<u>716,687</u>
Long-term assets:			
Capital assets, net of accumulated depreciation	1,339,203	1,115,231	2,454,434
Total long-term assets	<u>1,339,203</u>	<u>1,115,231</u>	<u>2,454,434</u>
Total assets	<u>1,797,577</u>	<u>1,373,544</u>	<u>3,171,121</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	300		300
Bonds payable within one year	19,000	22,000	41,000
Total current liabilities	<u>19,300</u>	<u>22,000</u>	<u>41,300</u>
Long-term liabilities:			
Bonds payable after one year	398,000	382,473	780,473
Total long-term liabilities	<u>398,000</u>	<u>382,473</u>	<u>780,473</u>
Total liabilities	<u>417,300</u>	<u>404,473</u>	<u>821,773</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	922,203	710,758	1,632,961
Restricted for:			
Debt service	47,322	66,586	113,908
Other purposes	7,638	5,818	13,456
Unrestricted	403,114	185,909	589,023
Total net assets	<u>\$ 1,380,277</u>	<u>\$ 969,071</u>	<u>\$ 2,349,348</u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Net revenue	\$ 164,877	\$ 95,819	\$ 260,696
Total operating revenues	<u>164,877</u>	<u>95,819</u>	<u>260,696</u>
<b>Operating expenses:</b>			
Salaries & wages	29,355	4,363	33,718
Employee benefits	13,534	1,787	15,321
Operating supplies & maintenance	20,884	165	21,049
Utilities	25,900	68	25,968
Professional and technical services	585		585
Other	1,055		1,055
Depreciation	41,834	45,876	87,710
Total operating expenses	<u>133,147</u>	<u>52,259</u>	<u>185,406</u>
Operating income (loss)	31,730	43,560	75,290
<b>Nonoperating income (expense):</b>			
Interest Revenue	1,608	3,054	4,662
Impact Fees	7,500	3,003	10,503
Connection fees	1,994		1,994
Interest Expenses	(13,659)	(4,265)	(17,924)
Total nonoperating income	<u>(2,557)</u>	<u>1,792</u>	<u>(765)</u>
Net income (loss) before transfers	<u>29,173</u>	<u>45,352</u>	<u>74,525</u>
Change in net assets	29,173	45,352	74,525
<b>Net assets - beginning</b>	1,354,959	878,265	2,233,224
Prior period adjustment	(3,855)	45,454	41,599
<b>Net assets - ending</b>	<u><u>\$ 1,380,277</u></u>	<u><u>\$ 969,071</u></u>	<u><u>\$ 2,349,348</u></u>

The notes to the financial statements are an integral part of this statement.



**MINERSVILLE TOWN, UTAH**  
**Statement of Cash Flows**  
**Major Proprietary Funds**  
**Year Ended June 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 162,352	\$ 95,602	\$ 257,954
Cash payments to suppliers for goods and services	(48,424)	(233)	(48,657)
Cash payments to employees for services	(42,889)	(6,150)	(49,039)
Net cash provided (used) by operating activities	<u>71,039</u>	<u>89,219</u>	<u>160,258</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash received from impact & connection fees	9,494	3,003	12,497
Other receipts (payments)	-	-	-
Acquisition of capital assets	(6,001)	(6,099)	(12,100)
Interest paid on capital debt	(13,659)	(4,265)	(17,924)
Principal paid on capital debt	(18,000)	(22,000)	(40,000)
Net cash (used) by capital and related activities	<u>(28,166)</u>	<u>(29,361)</u>	<u>(57,527)</u>
<b>Cash flows from investing activities</b>			
Interest received	1,608	3,054	4,662
Net cash (used) by investing activities	<u>1,608</u>	<u>3,054</u>	<u>4,662</u>
Net increase in cash and cash equivalents	<u>44,481</u>	<u>62,912</u>	<u>107,393</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>393,212</u>	<u>185,928</u>	<u>579,140</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 437,693</u>	<u>\$ 248,840</u>	<u>\$ 686,533</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 31,730	\$ 43,560	\$ 75,290
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	41,834	45,876	87,710
Increase decrease accounts receivable	(2,525)	(217)	(2,742)
Increase decrease in accounts payable	-	-	-
Total adjustments	<u>39,309</u>	<u>45,659</u>	<u>84,968</u>
Net cash provided (used) by operating activities	<u>\$ 71,039</u>	<u>\$ 89,219</u>	<u>\$ 160,258</u>

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of Minersville Town have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

**A. Reporting Entity**

For financial reporting purposes, Minersville Town has included all funds and account groups. The Town has also considered all potential component units for which it is financially accountable and that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Based on the above criteria, the Town has no component units and is not a component unit of any other government.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C: Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Minersville Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water distribution system.

The Sewer Fund accounts for the activities of the Town's sewer collection system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D: Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

As allowed by GASB Statement 34, the Town has elected to report infrastructure on a prospective basis.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Compensated Absences:**

The Town has a policy which allows full time employees to accumulate vacation pay and comp-time. The Town allows vacation hours to accumulate up to a maximum of 40 hours payable at termination. The maximum comp-time payable is 40 hours.

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change

**E. Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital related items:**

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cost of capital assets	\$ 1,008,868
Accumulated depreciation	<u>( 263,048)</u>
Total difference	<u>\$ 745,820</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Compensated absences	\$ ( 3,408)
Total difference	<u>\$ ( 3,408)</u>

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 45,312
Depreciation expense	<u>( 39,812)</u>
Net difference as reported	<u>\$ 5,500</u>
Increase in compensated absences	\$ ( 170)
Net difference as reported	<u>\$ ( 170)</u>

**F: Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**G: Property Tax:**

Beaver County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**H: Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

**I: Statement of Cash Flows:**

For the purpose of the Statement of Cash Flows, the Water and Sewer Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 2: CASH AND INVESTMENTS**

The Town maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2006**

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

The Town's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Money Management Council. However, the Town does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Town is exposed.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2006, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 202,434
State Treasurer's investment pool	<u>698,408</u>
	<u>\$ 900,842</u>

The following paragraphs discuss the Town's exposure to various risks related to its cash management activities.

**Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$102,434 of the Town's bank balances of \$202,434 were uninsured and uncollateralized.



**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk of investments. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the Town's investments at June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$ 698,408	less than 1 year	not rated

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Town's investments are noted above.

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the Town's portfolio at the time of purchase.

As of year end, the Town had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

**NOTE 3. COMPENSATED ABSENCES:**

Compensated absences of Minersville Town represent accrued vacation pay at June 30, 2006, in the amount of \$3,408.

**NOTE 4. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 250	\$	\$	\$ 250
Total capital assets, not being depreciated	250			250
Capital assets, being depreciated:				
Buildings	437,599	45,999		483,598
Improvements other than buildings	160,292	299,524		459,816
Machinery & Equipment	119,069	10,000	63,865	65,204
Total capital assets, being depreciated	716,960	355,523	63,865	1,008,618

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 4. CAPITAL ASSETS - CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation for:				
Buildings	127,410	17,758	12,392	132,776
Improvements other than buildings	73,404	20,996		94,400
Machinery & Equipment	101,886	4,969	70,983	35,872
Total accumulated depreciation	302,700	43,723	83,375	263,048
Total capital assets, being depreciated, net	414,260	311,800	19,510	745,570
Governmental activities capital assets, net	<u>\$ 414,510</u>	<u>\$311,800</u>	<u>\$19,510</u>	<u>\$ 745,820</u>

**Business type activities:**

Capital assets, not being depreciated

Land	<u>10,050</u>			<u>10,050</u>
Total capital assets, not being depreciated	<u>10,050</u>			<u>10,050</u>

Capital assets, being depreciated:

Buildings	6,866			6,866
Improvements other than buildings	3,742,074		9,130	3,732,944
Machinery & Equipment	44,777	12,960		57,737
Total capital assets, being depreciated	<u>3,793,717</u>	<u>12,960</u>	<u>9,130</u>	<u>3,797,547</u>

Accumulated depreciation for:

Buildings	6,522	29	343	6,208
Improvements other than buildings	1,283,344	82,994	49,400	1,316,938
Machinery & Equipment	25,455	4,687	125	30,017
Total accumulated depreciation	<u>1,315,321</u>	<u>87,710</u>	<u>49,868</u>	<u>1,353,163</u>
Total capital assets, being depreciated, net	<u>2,478,396</u>	<u>(74,750)</u>	<u>40,738</u>	<u>2,444,384</u>
Governmental activities capital assets, net	<u>\$ 2,488,446</u>	<u>\$ (74,750)</u>	<u>\$40,738</u>	<u>\$2,454,434</u>

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 4. CAPITAL ASSETS - CONTINUED**

Depreciation was charged to functions as follows:

General government	\$ 8,578
Public safety	1,757
Highways & Streets	5,758
Senior Center	5,468
Culture & recreation	18,251
Total	<u>\$ 39,812</u>

**NOTE 5. CHANGES IN LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2006:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Revenue Bonds	\$ 861,473		\$ 40,000	\$ 821,473
	<u>\$ 861,473</u>		<u>\$ 40,000</u>	<u>\$ 821,473</u>

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 5. CHANGES IN LONG-TERM DEBT - CONTINUED**

\$470,000 Water Revenue Bond Series 2001

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 19,000	\$ 13,094	\$ 32,094
2008	20,000	12,497	32,497
2009	20,000	11,869	31,869
2010	21,000	11,241	32,241
2011	21,000	10,582	31,582
2012	22,000	9,922	31,922
2013	23,000	9,232	32,232
2014	23,000	8,059	31,059
2015	24,000	7,787	31,787
2016	25,000	7,034	32,034
2017	26,000	6,249	32,249
2018	27,000	5,432	32,432
2019	27,000	4,584	31,584
2020	28,000	3,737	31,737
2021	29,000	2,857	31,857
2022	31,000	1,947	32,947
2023	31,000	973	31,973
Total	<u>\$ 417,000</u>	<u>\$ 127,096</u>	<u>\$ 544,096</u>

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**

June 30, 2006

**NOTE 5. CHANGES IN LONG-TERM DEBT - CONTINUED:**

**\$525,000 Parity Sewer Revenue Bonds**  
**Series 1999**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 22,000	\$ 4,045	\$ 26,045
2008	23,000	3,825	26,825
2009	23,000	3,595	26,595
2010	24,000	3,365	27,365
2011	30,000	3,125	33,125
2012	30,000	2,825	32,825
2013	30,000	2,525	32,525
2014	30,000	2,225	32,225
2015	32,000	1,925	33,925
2016	32,000	1,605	33,605
2017	32,000	1,285	33,285
2018	33,000	965	33,965
2019	33,000	635	33,635
2020	<u>30,473</u>	<u>305</u>	<u>30,778</u>
Total	<u>\$ 404,473</u>	<u>\$ 32,250</u>	<u>\$ 436,723</u>

**NOTE 6. DEFINED BENEFIT PENSION PLAN:**

**Plan Description:** Minersville Town, Utah contributes to the Local Governmental Noncontributory Retirement System which is part of the cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required

**MINERSVILLE TOWN, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2006

**NOTE 6. DEFINED BENEFIT PENSION PLAN - CONTINUED**

supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety and Firefighters Retirement Systems for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 So. Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System Minersville Town, Utah is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Minersville Town, Utah contributions to the Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$7,825, \$7,413 and \$6,351 respectively. The contributions were equal to the required contributions for each year.

**NOTE 7. RISK MANAGEMENT**

Minersville Town, Utah is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The Town has procured commercial insurance coverage and Workman's Compensation Insurance which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level..

**NOTE 8. IMPLEMENTATION OF GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENTS**

The Town has completed an ongoing inventory of infrastructure assets for the Enterprise Funds.

The prior period adjustment is related to the inventory performed on the following funds:

	<u>Beginning Net Assets</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Assets After Adjustment</u>
Water Enterprise Fund	\$ 1,354,959	\$ (3,855)	\$ 1,351,104
Sewer Enterprise Fund	878,265	45,454	923,719

In addition, the Town both added assets to and removed assets from the fixed asset records of the Governmental Funds.

	<u>Beginning Net Assets</u>	<u>Prior Period Adjustment</u>	<u>Beginning Net Assets After Adjustment</u>
Governmental Funds	\$ 571,854	\$ 325,810	\$ 897,664

**REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)



**MINERSVILLE TOWN, UTAH**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 96,003	\$ 96,003	\$ 96,003	\$ -
Resources (inflows):				
Property taxes	35,000	35,100	36,087	987
Sales and use taxes	64,000	66,000	73,850	7,850
Franchise taxes	33,000	38,000	43,044	5,044
Licenses and permits	600	600	685	85
Intergovernmental revenues	73,300	75,608	72,508	(3,100)
Charges for services	46,200	40,900	41,074	174
Interest earnings	10,000	15,960	21,147	5,187
Miscellaneous revenues	8,000	22,486	25,602	3,116
Amounts available for appropriation	366,103	390,657	410,000	19,343
Charges to appropriations (outflows):				
General government	96,000	99,500	87,717	11,783
Public Safety	41,000	51,000	45,803	5,197
Highways & streets	59,000	55,000	33,286	21,714
Sanitation	30,000	33,000	31,802	1,198
Senior Center	8,000	5,500	3,549	1,951
Culture & recreation	86,000	86,300	74,331	11,969
Operating transfers out	17,838	9,803	-	9,803
Total charges to appropriations	337,838	340,103	276,488	63,615
Budgetary fund balance, June 30	\$ 28,265	\$ 50,554	\$ 133,512	\$ 82,958

The notes to the financial statements are an integral part of this statement.

**MINERSVILLE TOWN, UTAH**  
**IMPACT FEES**  
**JUNE 30, 2006**

Unspent Impact Fees and Interest Earnings by Fiscal Year:

	<u>Streets</u>	<u>Drainage</u>	<u>Parks &amp; Recreation</u>	<u>Water</u>	<u>Sewer</u>
1998	\$ 11	\$ 60	\$	\$	\$
1999	55	300			
2000	154	625			
2001	14	61			
2002	40	211			
2003	72	386			
2004	5	25			2632
2005	8	41	600	127	65
2006	93	494	1953	7511	3121
	<u>\$ 452</u>	<u>\$ 2,203</u>	<u>\$ 2,553</u>	<u>\$ 7,638</u>	<u>\$ 5,818</u>

All impact fees have been generated from residential development and will be spent as follows:

**Street Impact Fees:**

The balance will be spent in the fiscal year ending June 30, 2007 to improve intersections on 400 South.

**Drainage Impact Fees:**

The balance will be spent in the fiscal year ending June 30, 2007 towards engineering fees for a drainage study that is in the process of being completed.

**Park and Recreation Fees:**

The balance will be expended during the fiscal year ending June 30, 2007 and beyond as part of the continuing development of the Minersville Town Park.

**Water Impact Fees:**

The balance of water impact fees will be spent to install water lines in new development areas during 2008 and 2009.

**Sewer Impact Fees:**

The balance of sewer impact fees will be spent to add additional sewer lines on streets the Town has prioritized as needing sewer lines. The fees will be expended in 2007 and 2008.

**COMBINING FINANCIAL STATEMENTS  
AND SCHEDULES**

**MINERSVILLE TOWN, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2006

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	<b>Capital Project Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Cash & cash equivalents	\$ 486	\$ 32,160	\$ 32,646
Total assets	<u>\$ 486</u>	<u>\$ 32,160</u>	<u>\$ 32,646</u>
<b>Fund balances:</b>			
Reserved			
Unreserved, undesignated	\$ 486	\$ 32,160	\$ 32,646
Total fund balances	<u>486</u>	<u>32,160</u>	<u>32,646</u>
Total liabilities and fund balances	<u>\$ 486</u>	<u>\$ 32,160</u>	<u>\$ 32,646</u>

**MINERSVILLE TOWN, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2006

	Capital Project Fund	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>			
Interest earnings	\$ 1,462	\$ 1,397	\$ 2,859
Charges for services		500	500
Miscellaneous revenue	20		20
Total Revenues	<u>1,482</u>	<u>1,897</u>	<u>3,379</u>
<b>EXPENDITURES:</b>			
General government			
Highways & streets			
Sanitation			
Culture & recreation			
Capital outlay	35,312		35,312
Total Expenditures	<u>35,312</u>		<u>35,312</u>
Excess of Revenues over (under) Expenditures	<u>(33,830)</u>	<u>1,897</u>	<u>(31,933)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Debt proceeds			
Operating transfers in			
Operating transfers out			
Sale of fixed assets			
Total Other Financing Sources (Uses)			
Excess of revenues and other sources over (under) expenditures and other uses	(33,830)	1,897	(31,933)
<b>FUND BALANCES JULY 1</b>	34,316	30,263	64,579
<b>FUND BALANCES JUNE 30</b>	<u>\$ 486</u>	<u>\$ 32,160</u>	<u>\$ 32,646</u>

**MINERSVILLE TOWN, UTAH**  
**SEWER SYSTEM INFORMATION**  
June 30, 2006

Insurance:

The Town maintained insurance policies and fidelity bonds in sufficient amount to protect the Town from loss or liability.

Sewer Statistics:

Total Sewer System connections = 280

Net Revenues:

Net revenues equaled 2.9332 times aggregate debt service.

Average billing for service:

\$29.00 per month



## **COMPLIANCE SECTION**

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Town Council  
Minersville Town  
Minersville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Minersville Town, Utah as of and for the year ended June 30, 2006, which collectively comprise Minersville Town, Utah's basic financial statements and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Minersville Town, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Minersville Town, Utah in a separate letter dated October 31, 2006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minersville Town, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,



Minersville Town, Utah

Page 2

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Minersville Town, Utah in a separate letter dated October 31, 2006.

This report is intended solely for the information and use of the management of Minersville Town, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



WILSON & COMPANY

Certified Public Accountants

Cedar City, Utah

October 30, 2006

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

**MINERSVILLE TOWN, UTAH**  
**AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS**  
For the Year Ended June 30, 2006

The Honorable Town Council  
Minersville Town  
Minersville, Utah

We have audited the general purpose financial statements of Minersville Town, Utah, for the year ended June 30, 2006 and have issued our report thereon dated October 30, 2006. As part of our audit, we have audited Minersville Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)	\$ 39,488
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Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Liquor Law Enforcement
- Other Compliance Requirements

The management of Minersville Town, Utah is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the Town's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Minersville Town, Utah

Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Minersville Town, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

  
WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
October 30, 2006

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

October 31, 2006

Minersville Town  
P.O. Box 159  
Minersville, Utah 84752

We have examined the financial statements of Minersville Town for the year ended June 30, 2006, and have issued our report thereon dated October 30, 2006. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Minersville Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Minersville Town taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the Town's further attention.

#### Cash Balance In Checking

We again noted during our exam that the average cash balance in checking still exceeded \$150,000.

Due to the fact that funds retained in checking earn .45% or less, we recommend that the Town consider retaining as little as possible in checking and transferring the excess funds to the PTIF accounts in order to maximize interest earnings. PTIF rates exceed 5%.

#### Fixed Asset Accounting System

We noted during our audit that the Town's fixed asset management system did not agree with the accounting records and the corrections made by Caselle included some incorrect balances.

We recommend that the Town work with Caselle to make the required corrections to the system.

#### Muni-Telecom Tax General Ledger Account

We noted during our exam that funds received from the State of Utah for the muni-telecom tax were blended with other types of franchise tax revenue.

We suggest that this type of revenue be recorded in a separate general ledger account in order to facilitate confirmation directly from the State.

#### Impact Fees

During our exam we noted two issues with regards to impact fees. The Town did not prepare a report showing all fees collected, interest earned, and expenditures by type of impact fee as required by law. In addition, we noted that impact fees from 1998 to 2000 for streets and drainage, although small, had not been spent.

The Town must prepare the requisite report yearly as defined by law and expend impact fees within six years as mandated by the law. Preparing the impact fee report will allow for closer monitoring of impact fees by year and also provide information needed to satisfy the requirement to include detailed information as required supplementary information in the annual audit report as required by the legislature.

The previous conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the Town's June 30, 2006, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complementary comments does not imply that the Town operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditors Office and should not be used for any other purpose.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wilson & Company", is written over the printed name of the firm.

WILSON & COMPANY  
Certified Public Accountants

MINERSVILLE TOWN  
P.O. BOX 159  
MINERSVILLE, UTAH 84752

November 6, 2006

Wilson & Company  
Certified Public Accountants  
P.O. Box 1110  
Cedar City, Utah 84721

In a meeting of the Minersville Town Council, the management letter was read and the following comments are in response to the points that need to be addressed.

Cash Balance in Checking

The cash balance in checking exceeded \$150,000. All excess funds will be transferred to the PTIF account in order to maximize interest earnings.

Fixed Asset Accounting System

The Town's fixed asset management system did not agree with the accounting records and the corrections made by Caselle included some incorrect balances. The Town will contact Caselle and work closely with them to correct the records.

Muni-Telecom Tax General Ledger Account

The muni-telecom tax were blended with other types of franchise tax revenue. The Town will set up a separate general ledger account for the muni-telecom tax revenue.

Impact fees

The Town did not prepare a report showing all fees collected, interest earned, and expenditure by type of impact fee as required by law. Impact fees from 1998 to 2000 for streets and drainage, although small had not been spent.

The requisite yearly report for fiscal year ending June 30, 2006 has been prepared. Also the impact fees for the streets and drainage have been spent. The Town will prepare the yearly report and expend impact fees within six years as mandated by law.

Sincerely,



Sue M. Carter Minersville Town Clerk